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HUMAN OPTIONS, INC.
REPORT ON AUDIT OF OES GRANTS
FOR THE PERIOD JULY 1, 2007
THROUGH JUNE 30, 2008

HUMAN OPTIONS, INC.
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2008 AND 2007

DATE RECEIVED:



AUDIT REVIEW #(s) 04512

Assigned To: Armstrong

Date Reviewed: 3/27/09

Reviewer's Initials: RA

Date Review(s) Completed: 4/6/09

HUMAN OPTIONS, INC.

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DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

October 1, 2008

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Human Options, Inc.
Irvine, California

We have audited the accompanying statements of financial position of Human Options, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Human Options, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Options, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2008, on our consideration of Human Options, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Diehl, Evans and Company, LLP

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OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

HUMAN OPTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash (Note 3A)	\$ 1,114,630	\$ 1,123,516
Governmental grants receivable (Note 6)	344,575	301,733
Prepaid expenses	35,651	22,532
TOTAL CURRENT ASSETS	1,494,856	1,447,781
LAND, BUILDINGS, PROPERTY AND EQUIPMENT (NOTES 2B AND 5)	4,629,628	4,355,579
INVESTMENTS (NOTE 3B)	1,462,660	1,587,647
RESTRICTED ASSETS:		
Pledges receivable (Notes 2D, 4 and 12)	1,217,181	1,592,342
Investments (Notes 3B and 12)	548,000	548,000
Charitable Remainder Trust (Note 9)	1,100,000	1,110,000
TOTAL RESTRICTED ASSETS	2,865,181	3,250,342
TOTAL ASSETS	\$ 10,452,325	\$ 10,641,349
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued expenses	\$ 364,210	\$ 192,431
Security deposits	5,906	5,582
Deferred revenue (Note 8)	-	95,433
TOTAL CURRENT LIABILITIES	370,116	293,446
NET ASSETS:		
Unrestricted:		
Designated (Note 10)	4,629,628	4,405,579
Undesignated	2,450,400	2,661,012
Temporarily restricted (Note 11)	1,665,181	2,004,312
Permanently restricted (Note 12)	1,337,000	1,277,000
TOTAL NET ASSETS	10,082,209	10,347,903
TOTAL LIABILITIES AND NET ASSETS	\$ 10,452,325	\$ 10,641,349

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND SUPPORT:				
PRIVATE SUPPORT:				
Individuals	\$ 414,826	\$ 104,600	\$ -	\$ 519,426
Clubs/Churches/Support groups	30,197	-	-	30,197
Corporate donations	82,039	-	-	82,039
United Way	116,811	-	-	116,811
Foundations and awards	382,331	131,000	60,000	573,331
Benefit events	719,255	-	-	719,255
Change in value of Charitable Remainder Trust (Note 9)	-	(10,000)	-	(10,000)
TOTAL PRIVATE SUPPORT	<u>1,745,459</u>	<u>225,600</u>	<u>60,000</u>	<u>2,031,059</u>
GOVERNMENTAL SUPPORT (NOTE 6):				
HUD grants	496,464	-	-	496,464
CalWorks grants	244,957	-	-	244,957
FACT grants	328,232	-	-	328,232
Office of Emergency Services grant	200,071	-	-	200,071
Battered Women Shelter grant	221,329	-	-	221,329
Presley grant	192,379	-	-	192,379
CDBG grants	202,050	-	-	202,050
California Endowment grant	95,433	-	-	95,433
Other grants	12,000	-	-	12,000
TOTAL GOVERNMENTAL SUPPORT	<u>1,992,915</u>	<u>-</u>	<u>-</u>	<u>1,992,915</u>
OTHER REVENUES, NET:				
Donated assets/services	62,345	-	-	62,345
Thrift shop	202,315	-	-	202,315
Client fees	121,151	-	-	121,151
Investment loss, net (Notes 7 and 12)	(105,972)	-	-	(105,972)
Rental income	24,504	-	-	24,504
Court ordered fines	58,585	-	-	58,585
Other income	9,070	-	-	9,070
TOTAL OTHER REVENUES, NET	<u>371,998</u>	<u>-</u>	<u>-</u>	<u>371,998</u>
TOTAL REVENUES AND SUPPORT	<u>4,110,372</u>	<u>225,600</u>	<u>60,000</u>	<u>4,395,972</u>
EXPENSES:				
Residential	2,170,026	-	-	2,170,026
Thrift Shop	193,622	-	-	193,622
Community Education	222,669	-	-	222,669
Center for Children and Families	1,208,695	-	-	1,208,695
Management and general	451,490	-	-	451,490
Fund raising	415,164	-	-	415,164
TOTAL EXPENSES	<u>4,661,666</u>	<u>-</u>	<u>-</u>	<u>4,661,666</u>
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 11)	<u>564,731</u>	<u>(564,731)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>13,437</u>	<u>(339,131)</u>	<u>60,000</u>	<u>(265,694)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>7,066,591</u>	<u>2,004,312</u>	<u>1,277,000</u>	<u>10,347,903</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,080,028</u>	<u>\$ 1,665,181</u>	<u>\$ 1,337,000</u>	<u>\$ 10,082,209</u>

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND SUPPORT:				
PRIVATE SUPPORT:				
Individuals	\$ 338,960	\$ 66,950	\$ -	\$ 405,910
Clubs/Churches/Support groups	49,069	-	-	49,069
Corporate donations	70,548	380,442	-	450,990
United Way	115,364	-	-	115,364
Foundations and awards	234,212	351,000	1,004,000	1,589,212
Benefit events	1,110,031	-	-	1,110,031
Change in value of Charitable Remainder Trust (Note 9)	-	70,000	-	70,000
TOTAL PRIVATE SUPPORT	<u>1,918,184</u>	<u>868,392</u>	<u>1,004,000</u>	<u>3,790,576</u>
GOVERNMENTAL SUPPORT (NOTE 6):				
HUD grants	236,263	-	-	236,263
CalWorks grants	202,629	-	-	202,629
FACT grants	246,395	-	-	246,395
Office of Emergency Services grant	204,194	-	-	204,194
Battered Women Shelter grant	221,330	-	-	221,330
Presley grant	165,660	-	-	165,660
CDBG grants	188,081	-	-	188,081
California Endowment grant	107,069	-	-	107,069
Other grants	15,500	-	-	15,500
TOTAL GOVERNMENTAL SUPPORT	<u>1,587,121</u>	<u>-</u>	<u>-</u>	<u>1,587,121</u>
OTHER REVENUES:				
Donated assets/services	155,382	-	-	155,382
Thrift shop	272,590	-	-	272,590
Client fees	121,386	-	-	121,386
Investment income, net (Notes 7 and 12)	57,955	-	-	57,955
Rental income	16,419	-	-	16,419
Court ordered fines	79,452	-	-	79,452
TOTAL OTHER REVENUES	<u>703,184</u>	<u>-</u>	<u>-</u>	<u>703,184</u>
TOTAL REVENUES AND SUPPORT	<u>4,208,489</u>	<u>868,392</u>	<u>1,004,000</u>	<u>6,080,881</u>
EXPENSES:				
Residential	1,968,649	-	-	1,968,649
Thrift Shop	224,136	-	-	224,136
Community Education	198,605	-	-	198,605
Center for Children and Families	1,108,286	-	-	1,108,286
Management and general	501,992	-	-	501,992
Fund raising	338,967	-	-	338,967
TOTAL EXPENSES	<u>4,340,635</u>	<u>-</u>	<u>-</u>	<u>4,340,635</u>
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 11)	<u>173,764</u>	<u>(173,764)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	41,618	694,628	1,004,000	1,740,246
NET ASSETS AT BEGINNING OF YEAR	<u>7,024,973</u>	<u>1,309,684</u>	<u>273,000</u>	<u>8,607,657</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,066,591</u>	<u>\$ 2,004,312</u>	<u>\$ 1,277,000</u>	<u>\$ 10,347,903</u>

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Services			Center for Children and Families
	Residential	Thrift Shop	Community Education	
Payroll and related	\$ 1,374,830	\$ 118,632	\$ 168,478	\$ 987,470
Consulting	24,735	-	-	47,702
Rent (Note 14)	13,525	55,287	3,568	51,578
Insurance	13,557	1,962	1,913	10,485
Client Assistance	258,662	-	-	1,401
Food and household supplies	26,369	-	-	-
Telephone	14,985	860	2,802	13,315
Repairs and maintenance	156,497	5,091	8,781	36,941
Auditing and bookkeeping	-	-	-	-
Printing and publication	1,394	88	24,989	1,244
Utilities	45,150	2,982	5,000	6,854
Postage and freight	856	6	1,173	551
Meetings, conferences and training	12,591	295	532	7,582
Office supplies	14,597	3,047	2,373	12,121
Staff mileage	7,635	629	2,328	9,068
Donated and emergency client support	60,762	-	-	3,764
Dues and subscriptions	2,123	120	-	560
Shelter programs	5,260	-	-	2,223
Bank charges	-	4,623	-	1,749
Child care	10,374	-	-	3,970
Children's program supplies	6,596	-	-	3,022
Miscellaneous	154	-	-	-
Depreciation (Note 2B)	119,374	-	732	7,095
TOTAL EXPENSES	\$ 2,170,026	\$ 193,622	\$ 222,669	\$ 1,208,695

See independent auditors' report and notes to financial statements.

Supporting Services		
Management and General	Fund Raising	Totals
\$ 322,033	\$ 301,061	\$ 3,272,504
13,940	-	86,377
6,016	3,913	133,887
7,381	2,803	38,101
-	-	260,063
-	-	26,369
7,044	3,491	42,497
15,658	10,344	233,312
20,976	-	20,976
973	5,773	34,461
7,715	4,764	72,465
2,796	3,748	9,130
3,520	8,500	33,020
6,619	4,010	42,767
1,360	1,193	22,213
-	53,335	117,861
565	463	3,831
-	-	7,483
1,431	11,713	19,516
-	-	14,344
-	-	9,618
-	53	207
33,463	-	160,664
<u>\$ 451,490</u>	<u>\$ 415,164</u>	<u>\$ 4,661,666</u>

HUMAN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2007

	Program Services			Center for Children and Families
	Residential	Thrift Shop	Community Education	
Payroll and related	\$ 1,239,056	\$ 94,427	\$ 141,983	\$ 896,338
Consulting	33,296	-	-	47,555
Rent (Note 14)	5,978	49,732	3,306	47,681
Insurance	9,888	3,408	1,707	9,258
Client Assistance	126,558	-	-	2,195
Food and household supplies	41,040	-	-	1,023
Telephone	22,342	-	58	6,347
Repairs and maintenance	145,312	7,961	11,872	42,942
Auditing and bookkeeping	-	-	-	-
Printing and publication	2,018	69	24,267	1,004
Utilities	50,622	2,363	4,309	6,224
Postage and freight	1,305	-	582	1,112
Meetings, conferences and training	9,895	412	5,370	10,801
Office supplies	9,995	2,777	2,752	14,707
Staff mileage	7,649	901	1,649	8,490
Donated and emergency client support	132,324	59,402	-	1,341
Dues and subscriptions	224	120	-	455
Shelter programs	6,653	-	-	2,981
Bank charges	4,087	2,564	-	1,260
Child care	9,534	-	-	-
Children's program supplies	5,227	-	18	557
Depreciation (Note 2B)	105,646	-	732	6,015
TOTAL EXPENSES	\$ 1,968,649	\$ 224,136	\$ 198,605	\$ 1,108,286

See independent auditors' report and notes to financial statements.

Supporting Services		
Management and General	Fund Raising	Totals
\$ 301,883	\$ 254,923	\$ 2,928,610
9,610	8,658	99,119
6,442	4,078	117,217
1,873	1,398	27,532
-	-	128,753
-	-	42,063
3,349	9	32,105
18,314	11,589	237,990
26,139	-	26,139
4,526	8,118	40,002
2,706	4,364	70,588
2,866	5,017	10,882
11,770	18,428	56,676
6,974	5,248	42,453
784	787	20,260
34,915	-	227,982
7,448	2,180	10,427
-	-	9,634
10,397	14,170	32,478
-	-	9,534
-	-	5,802
51,996	-	164,389
<u>\$ 501,992</u>	<u>\$ 338,967</u>	<u>\$ 4,340,635</u>

HUMAN OPTIONS, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (265,694)	\$ 1,740,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) and losses on investments	175,003	(31,912)
Depreciation expense	160,664	164,389
(Increase) decrease in grants receivable	(42,842)	17,644
Decrease in other receivables	-	16,429
(Increase) decrease in pledges receivable	375,161	(1,369,942)
Decrease in prepaid expenses	(13,119)	(3,432)
(Increase) decrease in value of Charitable Remainder Trust	10,000	(70,000)
Increase in accrued expenses	171,779	20,593
Increase in security deposits	324	712
Decrease in deferred revenue	(95,433)	(107,070)
TOTAL ADJUSTMENTS	741,537	(1,362,589)
NET CASH PROVIDED BY OPERATING ACTIVITIES	475,843	377,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(434,713)	(33,380)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(434,713)	(33,380)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,740,425)	(760,678)
Proceeds from sales of securities	1,690,409	454,131
NET CASH USED BY INVESTING ACTIVITIES	(50,016)	(306,547)
NET (DECREASE) INCREASE IN CASH	(8,886)	37,730
CASH AT BEGINNING OF YEAR	1,123,516	1,085,786
CASH AT END OF YEAR (NOTE 3A)	\$ 1,114,630	\$ 1,123,516

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

1. BACKGROUND:

Human Options, Inc. is a California nonprofit corporation organized and incorporated on May 27, 1980. The Organization was formed for the purpose of establishing and operating a comprehensive rehabilitation program in Orange County, California, for women and children subjected to domestic violence. The operations of the Organization are managed by an Executive Director and overseen by a Board of Directors.

A. Organization Activities:

The Organization's activities, which are in accordance with its primary purpose as described above, have been classified as follows:

Residential (Emergency Shelter) - On October 18, 1982, the Organization opened the Battered Women's Shelter of Orange County to provide a safe environment for battered women and their children. The Emergency Shelter offers 30-45 day emergency care, counseling, shelter, food and a 24 hour hotline.

In 1994, the Organization began a capital campaign to build a new shelter. A unique collaboration led by Human Options, Inc., the City of Irvine, Home Aid, the Irvine Company and Western Digital built a state-of-the-art shelter in Irvine. The shelter, completed in May of 1996, expanded the bed space from 18 to 40 clients and added a 90-day transitional program.

Residential (Second Step) - In April 1992, the Organization purchased property for the Second Step Transitional Housing Program. A short-term capital campaign and a HUD grant provided the initial funding for the apartment building. The debt was paid off in 1996 from the Shelter capital campaign. Second Step provides low cost apartment rentals for 12 to 18 months and offers children's programs and vocational, individual and family counseling for 14 families.

Residential (Third Step) - In 1998, the Navy granted the Organization six (6) units at the Tustin Military Base. In August 2008, after redevelopment of the base, Human Options was granted six (6) condominiums from Lyon Homes. All six units were completely furnished by donations. These units are an extended transitional housing program providing low-cost condo rental for up to three (3) years with case management and counseling for six (6) families.

Center for Children and Families - The Center for Children and Families includes 5 programs: the Community Resource Center located in Costa Mesa; the Outreach programs located in Costa Mesa, Santa Ana, Mission Viejo, and Tustin; the Safe Options for Seniors program based in the administrative office in Irvine; the Batterers Intervention Program located in the administrative office in Irvine, and the Parent Child Intervention Program located throughout the agency.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

1. BACKGROUND (CONTINUED):

A. Organization Activities (Continued):

Center for Children and Families (Continued) - These programs provide services for adult and child victims of domestic violence, as well as perpetrators of domestic violence. Walk-ins and referrals are accepted. Services include, but are not limited to, legal advocacy, individual, family and children's counseling, case management, personal empowerment programs, senior advocacy, and a 52-week mandated batterer's intervention training.

Community Education - A community education program sponsored by the Organization educates the public regarding domestic violence. The main programs are "Hands Are Not For Hitting" for elementary school children, "Love is Not Supposed to Hurt" a date abuse education for teens, and "Jason's Story" geared for high school athletics programs. These programs serve over 22,000 youth each year.

Thrift Shop - A thrift shop, "Classy Seconds", operates in Costa Mesa to augment operating funds and provide clothing for clients.

General - In fiscal year 2002, a grant of \$1,000,000 was received from the City of Irvine to purchase a building for the administrative office and to start the Center for Children and Families.

- B. Human Options, Inc. has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been made.

2. SIGNIFICANT ACCOUNTING POLICIES:

- A. The financial statements of Human Options, Inc. have been prepared on the accrual basis of accounting. Grant and program revenues earned, but not yet received, are recorded as receivables, and grant and program funds received before the revenue recognition criteria have been met are reported as deferred revenues. Grant expenditures are recorded when the liability is incurred.

The accounts of the Organization have been classified for financial statement purposes as follows:

Unrestricted Fund - The Unrestricted Fund is the general operating fund of the Organization. All receipts not temporarily or permanently restricted by the donor are accounted for in this fund. Expenses of this fund include management and program expenses.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Temporarily Restricted Funds - The Organization accounts for contributions of cash and other assets in the Temporarily Restricted Fund if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Funds - The Organization accounts for contributions of cash and other assets with donor imposed restrictions that stipulate that the principal be maintained permanently as Permanently Restricted Net Assets.

- B. All property is carried at cost or, if donated, at the fair value at date of donation. Depreciation on furniture, equipment and leasehold improvements is provided on the straight-line method over an estimated useful life of three to five years. Depreciation on the Emergency Shelter, Second Step apartment building, condominiums and administrative building is provided on the straight-line method over an estimated useful life of thirty years. Expenditures of \$1,000 or more for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.
- C. The Organization sponsors special fundraising events that generate revenues for its programs.
- D. Pledges receivable are recorded when the promise to give becomes unconditional and there is sufficient oral or written evidence of the promise.
- E. Investments are carried at fair value.
- F. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- G. Certain prior year amounts in these financial statements were reclassified to conform to the current year presentation. Functional expenses for the Community Resource Center and Counseling Center are now included in expenses for the Center for Children and Families.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

3. CASH AND INVESTMENTS - CONCENTRATION OF CREDIT RISK:

A. Cash at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Cash in bank	\$ 730,868	\$ 874,656
Money market funds	383,412	248,703
Petty cash	350	157
Total cash	<u>\$ 1,114,630</u>	<u>\$ 1,123,516</u>

Cash on deposit at June 30, 2008 and 2007, exceeded federally insured limits of \$100,000 by \$567,905 and \$686,109, respectively.

B. Cost and market values of investments as of June 30, 2008 and 2007 are as follows:

	2008		
	Cost	Market	Unrealized Gain/(Loss)
Endowment deposits with Orange County Community Foundation	\$ 583,135	\$ 566,613	\$ (16,522)
Mutual Funds	1,100,018	940,621	(159,397)
Hedge Fund	160,000	163,042	3,042
Equity securities	362,346	340,384	(21,962)
Total	<u>\$ 2,205,499</u>	<u>\$ 2,010,660</u>	<u>\$ (194,839)</u>
	2007		
	Cost	Market	Unrealized Gain/(Loss)
Endowment deposits with Orange County Community Foundation	\$ 565,979	\$ 613,283	\$ 47,304
US Treasury Notes	24,955	24,840	(115)
US Government bonds	99,960	98,870	(1,090)
Debt securities	25,000	22,616	(2,384)
Equity securities	1,260,670	1,359,388	98,718
Mortgage-backed securities	16,785	16,650	(135)
Total	<u>\$ 1,993,349</u>	<u>\$ 2,135,647</u>	<u>\$ 142,298</u>

At June 30, 2008 and 2007, investments of \$548,000 are reported as permanently restricted, as directed by donors (See Note 12).

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

4. PLEDGES RECEIVABLE:

The Organization had pledges receivable of \$1,217,181 and \$1,592,342 as of June 30, 2008 and 2007, respectively.

Pledges at June 30, 2008, are to be received over the next three years, as follows: 2009 - \$552,800; 2010 - \$116,700; 2011 - \$547,681. Amounts to be received over multiple years are discounted to the estimated present value using a discount rate of 3.5% per annum. As of June 30, 2008, \$789,000 of endowment pledges is permanently restricted by the donor (See Note 12). The remaining pledge amount of \$428,181 is temporarily restricted. Management believes that all pledges are collectible.

5. LAND, BUILDINGS, PROPERTY AND EQUIPMENT:

Land, buildings, property and equipment as of June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,917,767	\$ 1,917,767
Building and improvements	3,960,914	3,533,871
Furniture and fixtures	363,825	363,825
Computer equipment	<u>239,306</u>	<u>231,636</u>
Total	6,481,812	6,047,099
Less: accumulated depreciation	<u>(1,852,184)</u>	<u>(1,691,520)</u>
	<u>\$ 4,629,628</u>	<u>\$ 4,355,579</u>

6. GOVERNMENTAL SUPPORT:

The Organization receives support from various governmental agencies. The funds are used for the acquisition and operation of transitional and emergency housing, child care services, and counseling services for victims of domestic abuse and their children. Funds are generally received on a reimbursement basis. Unreimbursed expenses are reported as governmental grants receivable in the Statements of Financial Position. Periodic audits may be performed by Grantors, and certain costs may be disallowed as not being reimbursable expenditures under the terms of the contracts. Such audits could result in amounts billed under the contracts not being paid, or amounts already paid subject to reimbursement to the Grantors. The Organization's management believes disallowances, if any, will be immaterial.

Revenues from governmental support for the years ended June 30, 2008 and 2007, and the related unreimbursed expenses at each fiscal year-end, were as follows:

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

6. GOVERNMENTAL SUPPORT (CONTINUED):

Grantor	2008	
	Revenues	Unreimbursed Expenses
US Dept of Housing & Urban Development:		
Direct Program	\$ 158,676	\$ 38,055
Passed - through the County of Orange and Fullerton		
Interfaith Emergency Services, Inc.	28,126	4,431
Passed - through Serving People in Need (SPIN)	309,662	92,423
Community Development Block Grant, passed - through the		
County of Orange and the cities of Santa Ana,		
Costa Mesa, Newport Beach and Mission Viejo	202,050	34,758
US Department of Health & Human Services:		
Passed - through CalWorks and		
Arbor Education & Training, LLC	244,957	30,468
Passed - through the Children's Bureau, Orange Children		
& Parents Together and Orange County Social Services	328,232	21,955
California Governor's Office of Emergency Services	200,071	44,407
State of California Battered Women's Shelter Grant	221,329	55,333
State of California Presley Grant	192,379	16,429
California Endowment	95,433	-
Other Grants	12,000	6,316
Totals	<u>\$ 1,992,915</u>	<u>\$ 344,575</u>

Grantor	2007	
	Revenues	Unreimbursed Expenses
US Dept of Housing & Urban Development:		
Passed - through the County of Orange	\$ 220,692	\$ 86,004
Passed - through the County of Orange and Fullerton		
Interfaith Emergency Services, Inc.	15,571	10,793
US Department of Health & Human Services:		
Passed - through CalWorks	202,629	24,490
Passed - through the Children's Bureau, Orange Children		
& Parents Together & Orange County Social Services	246,395	43,461
California Governor's Office of Emergency Services	204,194	30,351
State of California Battered Women's Shelter Grant	221,330	55,332
State of California Presley Grant	165,660	7,490
Community Development Block Grant, passed - through the		
County of Orange and the cities of Santa Ana,		
Costa Mesa, Newport Beach and Irvine	188,081	35,832
California Endowment	107,069	-
Other Grants	15,500	7,980
Totals	<u>\$ 1,587,121</u>	<u>\$ 301,733</u>

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

7. INVESTMENT INCOME:

Investment income for the years ended June 30, 2008 and 2007 is comprised of the following:

	2008	2007
Interest	\$ 21,031	\$ 24,527
Dividends	62,445	19,138
Net realized capital gains	56,688	31,590
Net unrealized gains (losses)	<u>(231,580)</u>	<u>322</u>
Gross investment income (loss)	(91,416)	75,577
Less: Investment management fees	<u>(14,556)</u>	<u>(17,622)</u>
Net investment income (loss)	<u>\$ (105,972)</u>	<u>\$ 57,955</u>

8. DEFERRED REVENUE:

The grant from the California Endowment is paid in advance. Grant funds received before qualifying expenses are incurred are not considered earned revenue. The net unearned amount is reported as deferred revenue. Deferred revenue at June 30, 2008 and 2007 was \$0 and \$95,433, respectively.

9. CHARITABLE REMAINDER TRUST:

The Organization is a beneficiary of a Charitable Remainder Trust (Trust). Under the terms of the Trust, Human Options, Inc. is to receive 50% of the lesser of the annual income of the Trust or 5% of the annual value of the Trust. In addition, Human Options, Inc. is to receive the principal balance of the Trust upon the death of the other income beneficiary.

The estimated present value of the beneficial interest in the Trust as of June 30, 2008, is stated at \$1,100,000; \$300,000 for the future income to be received, and \$800,000 for the Trust remainder to be received. The estimated present value is calculated using a discount rate of 4.0% per annum.

10. DESIGNATED NET ASSETS:

As of June 30, 2007, the Board designated net assets to fund a research project in the amount of \$50,000. In addition, the Board has chosen to classify the net book value of fixed assets of \$4,629,628 at June 30, 2008, and \$4,355,579 at June 30, 2007, as designated unrestricted net assets. This designation is made because the assets are not available to be spent on future operations, though they are being used in current specific programs. The total amount designated is \$4,629,628 at June 30, 2008, and \$4,405,579 at June 30, 2007.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2008	2007
Purpose restrictions fulfilled:		
Expenses for Children's Programs	\$ 25,020	\$ 1,139
Scholarships	12,500	-
Other	5,950	37,125
	<u>43,470</u>	<u>38,264</u>
Time restrictions fulfilled:		
Collection of pledges receivable	521,261	135,500
Total released from restrictions	<u>\$ 564,731</u>	<u>\$ 173,764</u>

Net assets are temporarily restricted at year-end due to the following purpose or time restrictions:

	2008	2007
Charitable Remainder Trust (Note 9)	\$ 1,100,000	\$ 1,110,000
Pledges receivable	428,181	863,342
Challenge Grant	110,000	-
Other	27,000	30,970
	<u>\$ 1,665,181</u>	<u>\$ 2,004,312</u>

12. PERMANENTLY RESTRICTED NET ASSETS:

The Organization has received cash donations of \$548,000 and pledges from donors of \$789,000 with the stipulation that the principal remain unused and that the earnings be unrestricted. These items are reported as permanently restricted net assets. The cash donations were deposited with the Orange County Community Foundation as an Endowment Fund. Earnings, including unrealized gains, are also held by the Foundation and are reported as unrestricted assets.

13. RETIREMENT PLAN:

The Organization maintains a 401(k) plan covering substantially all regular employees. Under the Plan, the Organization may, at its discretion, make matching contributions to a maximum of fifty percent of all employee contributions, not to exceed six percent of employee compensation, as defined by the Plan. Employer contributions for the years ended June 30, 2008 and 2007 were \$51,442 and \$31,488, respectively.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

14. OPERATING LEASES:

The Community Resource Center is subject to an operating lease. The lease requires monthly rent at \$3,165, with scheduled annual increases through August 31, 2009.

The Thrift Shop facility, Classy Seconds, is subject to an operating lease. The lease requires rent at \$4,750, with scheduled annual increases through April 30, 2009. At that time, there is an option to renew the lease.

Three copiers are currently being leased at a cost of \$1,061 per month.

Future minimum payments required under the above leases as of June 30, 2008, are as follows:

Year Ending June 30,	
2009	\$ 99,798
2010	19,382
2011	11,031
2012	<u>418</u>
Total	<u>\$ 130,629</u>

See independent auditors' report.

HUMAN OPTIONS, INC.
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2008 AND 2007

14512

HUMAN OPTIONS, INC.
**SINGLE AUDIT OF FEDERAL AND
SELECTED STATE ASSISTED
GRANT PROGRAMS**
JUNE 30, 2008

HUMAN OPTIONS, INC.

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DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

October 1, 2008

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS

Board of Directors
Human Options, Inc.
Irvine, California

We have audited the accompanying statements of financial position of Human Options, Inc. as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Human Options, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Options, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2008 on our consideration of Human Options, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal and Selected State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Diehl, Evans and Company, LLP

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OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

FINANCIAL STATEMENTS

HUMAN OPTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash (Note 3A)	\$ 1,114,630	\$ 1,123,516
Governmental grants receivable (Note 6)	344,575	301,733
Prepaid expenses	35,651	22,532
TOTAL CURRENT ASSETS	1,494,856	1,447,781
LAND, BUILDINGS, PROPERTY AND EQUIPMENT (NOTES 2B AND 5)	4,629,628	4,355,579
INVESTMENTS (NOTE 3B)	1,462,660	1,587,647
RESTRICTED ASSETS:		
Pledges receivable (Notes 2D, 4 and 12)	1,217,181	1,592,342
Investments (Notes 3B and 12)	548,000	548,000
Charitable Remainder Trust (Note 9)	1,100,000	1,110,000
TOTAL RESTRICTED ASSETS	2,865,181	3,250,342
TOTAL ASSETS	\$ 10,452,325	\$ 10,641,349
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued expenses	\$ 364,210	\$ 192,431
Security deposits	5,906	5,582
Deferred revenue (Note 8)	-	95,433
TOTAL CURRENT LIABILITIES	370,116	293,446
NET ASSETS:		
Unrestricted:		
Designated (Note 10)	4,629,628	4,405,579
Undesignated	2,450,400	2,661,012
Temporarily restricted (Note 11)	1,665,181	2,004,312
Permanently restricted (Note 12)	1,337,000	1,277,000
TOTAL NET ASSETS	10,082,209	10,347,903
TOTAL LIABILITIES AND NET ASSETS	\$ 10,452,325	\$ 10,641,349

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND SUPPORT:				
PRIVATE SUPPORT:				
Individuals	\$ 414,826	\$ 104,600	\$ -	\$ 519,426
Clubs/Churches/Support groups	30,197	-	-	30,197
Corporate donations	82,039	-	-	82,039
United Way	116,811	-	-	116,811
Foundations and awards	382,331	131,000	60,000	573,331
Benefit events	719,255	-	-	719,255
Change in value of Charitable Remainder Trust (Note 9)	-	(10,000)	-	(10,000)
TOTAL PRIVATE SUPPORT	1,745,459	225,600	60,000	2,031,059
GOVERNMENTAL SUPPORT (NOTE 6):				
HUD grants	496,464	-	-	496,464
CalWorks grants	244,957	-	-	244,957
FACT grants	328,232	-	-	328,232
Office of Emergency Services grant	200,071	-	-	200,071
Battered Women Shelter grant	221,329	-	-	221,329
Presley grant	192,379	-	-	192,379
CDBG grants	202,050	-	-	202,050
California Endowment grant	95,433	-	-	95,433
Other grants	12,000	-	-	12,000
TOTAL GOVERNMENTAL SUPPORT	1,992,915	-	-	1,992,915
OTHER REVENUES, NET:				
Donated assets/services	62,345	-	-	62,345
Thrift shop	202,315	-	-	202,315
Client fees	121,151	-	-	121,151
Investment loss, net (Notes 7 and 12)	(105,972)	-	-	(105,972)
Rental income	24,504	-	-	24,504
Court ordered fines	58,585	-	-	58,585
Other income	9,070	-	-	9,070
TOTAL OTHER REVENUES, NET	371,998	-	-	371,998
TOTAL REVENUES AND SUPPORT	4,110,372	225,600	60,000	4,395,972
EXPENSES:				
Residential	2,170,026	-	-	2,170,026
Thrift Shop	193,622	-	-	193,622
Community Education	222,669	-	-	222,669
Center for Children and Families	1,208,695	-	-	1,208,695
Management and general	451,490	-	-	451,490
Fund raising	415,164	-	-	415,164
TOTAL EXPENSES	4,661,666	-	-	4,661,666
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 11)	564,731	(564,731)	-	-
CHANGE IN NET ASSETS	13,437	(339,131)	60,000	(265,694)
NET ASSETS AT BEGINNING OF YEAR	7,066,591	2,004,312	1,277,000	10,347,903
NET ASSETS AT END OF YEAR	\$ 7,080,028	\$ 1,665,181	\$ 1,337,000	\$ 10,082,209

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND SUPPORT:				
PRIVATE SUPPORT:				
Individuals	\$ 338,960	\$ 66,950	\$ -	\$ 405,910
Clubs/Churches/Support groups	49,069	-	-	49,069
Corporate donations	70,548	380,442	-	450,990
United Way	115,364	-	-	115,364
Foundations and awards	234,212	351,000	1,004,000	1,589,212
Benefit events	1,110,031	-	-	1,110,031
Change in value of Charitable Remainder Trust (Note 9)	-	70,000	-	70,000
TOTAL PRIVATE SUPPORT	<u>1,918,184</u>	<u>868,392</u>	<u>1,004,000</u>	<u>3,790,576</u>
GOVERNMENTAL SUPPORT (NOTE 6):				
HUD grants	236,263	-	-	236,263
CalWorks grants	202,629	-	-	202,629
FACT grants	246,395	-	-	246,395
Office of Emergency Services grant	204,194	-	-	204,194
Battered Women Shelter grant	221,330	-	-	221,330
Presley grant	165,660	-	-	165,660
CDBG grants	188,081	-	-	188,081
California Endowment grant	107,069	-	-	107,069
Other grants	15,500	-	-	15,500
TOTAL GOVERNMENTAL SUPPORT	<u>1,587,121</u>	<u>-</u>	<u>-</u>	<u>1,587,121</u>
OTHER REVENUES:				
Donated assets/services	155,382	-	-	155,382
Thrift shop	272,590	-	-	272,590
Client fees	121,386	-	-	121,386
Investment income, net (Notes 7 and 12)	57,955	-	-	57,955
Rental income	16,419	-	-	16,419
Court ordered fines	79,452	-	-	79,452
TOTAL OTHER REVENUES	<u>703,184</u>	<u>-</u>	<u>-</u>	<u>703,184</u>
TOTAL REVENUES AND SUPPORT	<u>4,208,489</u>	<u>868,392</u>	<u>1,004,000</u>	<u>6,080,881</u>
EXPENSES:				
Residential	1,968,649	-	-	1,968,649
Thrift Shop	224,136	-	-	224,136
Community Education	198,605	-	-	198,605
Center for Children and Families	1,108,286	-	-	1,108,286
Management and general	501,992	-	-	501,992
Fund raising	338,967	-	-	338,967
TOTAL EXPENSES	<u>4,340,635</u>	<u>-</u>	<u>-</u>	<u>4,340,635</u>
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 11)	<u>173,764</u>	<u>(173,764)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	41,618	694,628	1,004,000	1,740,246
NET ASSETS AT BEGINNING OF YEAR	<u>7,024,973</u>	<u>1,309,684</u>	<u>273,000</u>	<u>8,607,657</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,066,591</u>	<u>\$ 2,004,312</u>	<u>\$ 1,277,000</u>	<u>\$ 10,347,903</u>

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Services			
	Residential	Thrift Shop	Community Education	Center for Children and Families
Payroll and related	\$ 1,374,830	\$ 118,632	\$ 168,478	\$ 987,470
Consulting	24,735	-	-	47,702
Rent (Note 14)	13,525	55,287	3,568	51,578
Insurance	13,557	1,962	1,913	10,485
Client Assistance	258,662	-	-	1,401
Food and household supplies	26,369	-	-	-
Telephone	14,985	860	2,802	13,315
Repairs and maintenance	156,497	5,091	8,781	36,941
Auditing and bookkeeping	-	-	-	-
Printing and publication	1,394	88	24,989	1,244
Utilities	45,150	2,982	5,000	6,854
Postage and freight	856	6	1,173	551
Meetings, conferences and training	12,591	295	532	7,582
Office supplies	14,597	3,047	2,373	12,121
Staff mileage	7,635	629	2,328	9,068
Donated and emergency client support	60,762	-	-	3,764
Dues and subscriptions	2,123	120	-	560
Shelter programs	5,260	-	-	2,223
Bank charges	-	4,623	-	1,749
Child care	10,374	-	-	3,970
Children's program supplies	6,596	-	-	3,022
Miscellaneous	154	-	-	-
Depreciation (Note 2B)	119,374	-	732	7,095
TOTAL EXPENSES	\$ 2,170,026	\$ 193,622	\$ 222,669	\$ 1,208,695

See independent auditors' report and notes to financial statements.

Supporting Services		
Management and General	Fund Raising	Totals
\$ 322,033	\$ 301,061	\$ 3,272,504
13,940	-	86,377
6,016	3,913	133,887
7,381	2,803	38,101
-	-	260,063
-	-	26,369
7,044	3,491	42,497
15,658	10,344	233,312
20,976	-	20,976
973	5,773	34,461
7,715	4,764	72,465
2,796	3,748	9,130
3,520	8,500	33,020
6,619	4,010	42,767
1,360	1,193	22,213
-	53,335	117,861
565	463	3,831
-	-	7,483
1,431	11,713	19,516
-	-	14,344
-	-	9,618
-	53	207
33,463	-	160,664
<u>\$ 451,490</u>	<u>\$ 415,164</u>	<u>\$ 4,661,666</u>

HUMAN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2007

	Program Services			
	Residential	Thrift Shop	Community Education	Center for Children and Families
Payroll and related	\$ 1,239,056	\$ 94,427	\$ 141,983	\$ 896,338
Consulting	33,296	-	-	47,555
Rent (Note 14)	5,978	49,732	3,306	47,681
Insurance	9,888	3,408	1,707	9,258
Client Assistance	126,558	-	-	2,195
Food and household supplies	41,040	-	-	1,023
Telephone	22,342	-	58	6,347
Repairs and maintenance	145,312	7,961	11,872	42,942
Auditing and bookkeeping	-	-	-	-
Printing and publication	2,018	69	24,267	1,004
Utilities	50,622	2,363	4,309	6,224
Postage and freight	1,305	-	582	1,112
Meetings, conferences and training	9,895	412	5,370	10,801
Office supplies	9,995	2,777	2,752	14,707
Staff mileage	7,649	901	1,649	8,490
Donated and emergency client support	132,324	59,402	-	1,341
Dues and subscriptions	224	120	-	455
Shelter programs	6,653	-	-	2,981
Bank charges	4,087	2,564	-	1,260
Child care	9,534	-	-	-
Children's program supplies	5,227	-	18	557
Depreciation (Note 2B)	105,646	-	732	6,015
TOTAL EXPENSES	\$ 1,968,649	\$ 224,136	\$ 198,605	\$ 1,108,286

See independent auditors' report and notes to financial statements.

Supporting Services		
Management and General	Fund Raising	Totals
\$ 301,883	\$ 254,923	\$ 2,928,610
9,610	8,658	99,119
6,442	4,078	117,217
1,873	1,398	27,532
-	-	128,753
-	-	42,063
3,349	9	32,105
18,314	11,589	237,990
26,139	-	26,139
4,526	8,118	40,002
2,706	4,364	70,588
2,866	5,017	10,882
11,770	18,428	56,676
6,974	5,248	42,453
784	787	20,260
34,915	-	227,982
7,448	2,180	10,427
-	-	9,634
10,397	14,170	32,478
-	-	9,534
-	-	5,802
51,996	-	164,389
<u>\$ 501,992</u>	<u>\$ 338,967</u>	<u>\$ 4,340,635</u>

HUMAN OPTIONS, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (265,694)	\$ 1,740,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) and losses on investments	175,003	(31,912)
Depreciation expense	160,664	164,389
(Increase) decrease in grants receivable	(42,842)	17,644
Decrease in other receivables	-	16,429
(Increase) decrease in pledges receivable	375,161	(1,369,942)
Decrease in prepaid expenses	(13,119)	(3,432)
(Increase) decrease in value of Charitable Remainder Trust	10,000	(70,000)
Increase in accrued expenses	171,779	20,593
Increase in security deposits	324	712
Decrease in deferred revenue	(95,433)	(107,070)
TOTAL ADJUSTMENTS	741,537	(1,362,589)
NET CASH PROVIDED BY OPERATING ACTIVITIES	475,843	377,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(434,713)	(33,380)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(434,713)	(33,380)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,740,425)	(760,678)
Proceeds from sales of securities	1,690,409	454,131
NET CASH USED BY INVESTING ACTIVITIES	(50,016)	(306,547)
NET (DECREASE) INCREASE IN CASH	(8,886)	37,730
CASH AT BEGINNING OF YEAR	1,123,516	1,085,786
CASH AT END OF YEAR (NOTE 3A)	\$ 1,114,630	\$ 1,123,516

See independent auditors' report and notes to financial statements.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

1. BACKGROUND:

Human Options, Inc. is a California nonprofit corporation organized and incorporated on May 27, 1980. The Organization was formed for the purpose of establishing and operating a comprehensive rehabilitation program in Orange County, California, for women and children subjected to domestic violence. The operations of the Organization are managed by an Executive Director and overseen by a Board of Directors.

A. Organization Activities:

The Organization's activities, which are in accordance with its primary purpose as described above, have been classified as follows:

Residential (Emergency Shelter) - On October 18, 1982, the Organization opened the Battered Women's Shelter of Orange County to provide a safe environment for battered women and their children. The Emergency Shelter offers 30-45 day emergency care, counseling, shelter, food and a 24 hour hotline.

In 1994, the Organization began a capital campaign to build a new shelter. A unique collaboration led by Human Options, Inc., the City of Irvine, Home Aid, the Irvine Company and Western Digital built a state-of-the-art shelter in Irvine. The shelter, completed in May of 1996, expanded the bed space from 18 to 40 clients and added a 90-day transitional program.

Residential (Second Step) - In April 1992, the Organization purchased property for the Second Step Transitional Housing Program. A short-term capital campaign and a HUD grant provided the initial funding for the apartment building. The debt was paid off in 1996 from the Shelter capital campaign. Second Step provides low cost apartment rentals for 12 to 18 months and offers children's programs and vocational, individual and family counseling for 14 families.

Residential (Third Step) - In 1998, the Navy granted the Organization six (6) units at the Tustin Military Base. In August 2008, after redevelopment of the base, Human Options was granted six (6) condominiums from Lyon Homes. All six units were completely furnished by donations. These units are an extended transitional housing program providing low-cost condo rental for up to three (3) years with case management and counseling for six (6) families.

Center for Children and Families - The Center for Children and Families includes 5 programs: the Community Resource Center located in Costa Mesa; the Outreach programs located in Costa Mesa, Santa Ana, Mission Viejo, and Tustin; the Safe Options for Seniors program based in the administrative office in Irvine; the Batterers Intervention Program located in the administrative office in Irvine, and the Parent Child Intervention Program located throughout the agency.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

1. BACKGROUND (CONTINUED):

A. Organization Activities (Continued):

Center for Children and Families (Continued) - These programs provide services for adult and child victims of domestic violence, as well as perpetrators of domestic violence. Walk-ins and referrals are accepted. Services include, but are not limited to, legal advocacy, individual, family and children's counseling, case management, personal empowerment programs, senior advocacy, and a 52-week mandated batterer's intervention training.

Community Education - A community education program sponsored by the Organization educates the public regarding domestic violence. The main programs are "Hands Are Not For Hitting" for elementary school children, "Love is Not Supposed to Hurt" a date abuse education for teens, and "Jason's Story" geared for high school athletics programs. These programs serve over 22,000 youth each year.

Thrift Shop - A thrift shop, "Classy Seconds", operates in Costa Mesa to augment operating funds and provide clothing for clients.

General - In fiscal year 2002, a grant of \$1,000,000 was received from the City of Irvine to purchase a building for the administrative office and to start the Center for Children and Families.

- B. Human Options, Inc. has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been made.

2. SIGNIFICANT ACCOUNTING POLICIES:

- A. The financial statements of Human Options, Inc. have been prepared on the accrual basis of accounting. Grant and program revenues earned, but not yet received, are recorded as receivables, and grant and program funds received before the revenue recognition criteria have been met are reported as deferred revenues. Grant expenditures are recorded when the liability is incurred.

The accounts of the Organization have been classified for financial statement purposes as follows:

Unrestricted Fund - The Unrestricted Fund is the general operating fund of the Organization. All receipts not temporarily or permanently restricted by the donor are accounted for in this fund. Expenses of this fund include management and program expenses.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Temporarily Restricted Funds - The Organization accounts for contributions of cash and other assets in the Temporarily Restricted Fund if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Funds - The Organization accounts for contributions of cash and other assets with donor imposed restrictions that stipulate that the principal be maintained permanently as Permanently Restricted Net Assets.

- B. All property is carried at cost or, if donated, at the fair value at date of donation. Depreciation on furniture, equipment and leasehold improvements is provided on the straight-line method over an estimated useful life of three to five years. Depreciation on the Emergency Shelter, Second Step apartment building, condominiums and administrative building is provided on the straight-line method over an estimated useful life of thirty years. Expenditures of \$1,000 or more for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.
- C. The Organization sponsors special fundraising events that generate revenues for its programs.
- D. Pledges receivable are recorded when the promise to give becomes unconditional and there is sufficient oral or written evidence of the promise.
- E. Investments are carried at fair value.
- F. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- G. Certain prior year amounts in these financial statements were reclassified to conform to the current year presentation. Functional expenses for the Community Resource Center and Counseling Center are now included in expenses for the Center for Children and Families.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

3. CASH AND INVESTMENTS - CONCENTRATION OF CREDIT RISK:

A. Cash at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Cash in bank	\$ 730,868	\$ 874,656
Money market funds	383,412	248,703
Petty cash	350	157
Total cash	<u>\$ 1,114,630</u>	<u>\$ 1,123,516</u>

Cash on deposit at June 30, 2008 and 2007, exceeded federally insured limits of \$100,000 by \$567,905 and \$686,109, respectively.

B. Cost and market values of investments as of June 30, 2008 and 2007 are as follows:

	2008		
	Cost	Market	Unrealized Gain/(Loss)
Endowment deposits with Orange County Community Foundation	\$ 583,135	\$ 566,613	\$ (16,522)
Mutual Funds	1,100,018	940,621	(159,397)
Hedge Fund	160,000	163,042	3,042
Equity securities	362,346	340,384	(21,962)
Total	<u>\$ 2,205,499</u>	<u>\$ 2,010,660</u>	<u>\$ (194,839)</u>
	2007		
	Cost	Market	Unrealized Gain/(Loss)
Endowment deposits with Orange County Community Foundation	\$ 565,979	\$ 613,283	\$ 47,304
US Treasury Notes	24,955	24,840	(115)
US Government bonds	99,960	98,870	(1,090)
Debt securities	25,000	22,616	(2,384)
Equity securities	1,260,670	1,359,388	98,718
Mortgage-backed securities	16,785	16,650	(135)
Total	<u>\$ 1,993,349</u>	<u>\$ 2,135,647</u>	<u>\$ 142,298</u>

At June 30, 2008 and 2007, investments of \$548,000 are reported as permanently restricted, as directed by donors (See Note 12).

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

4. PLEDGES RECEIVABLE:

The Organization had pledges receivable of \$1,217,181 and \$1,592,342 as of June 30, 2008 and 2007, respectively.

Pledges at June 30, 2008, are to be received over the next three years, as follows: 2009 - \$552,800; 2010 - \$116,700; 2011 - \$547,681. Amounts to be received over multiple years are discounted to the estimated present value using a discount rate of 3.5% per annum. As of June 30, 2008, \$789,000 of endowment pledges is permanently restricted by the donor (See Note 12). The remaining pledge amount of \$428,181 is temporarily restricted. Management believes that all pledges are collectible.

5. LAND, BUILDINGS, PROPERTY AND EQUIPMENT:

Land, buildings, property and equipment as of June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,917,767	\$ 1,917,767
Building and improvements	3,960,914	3,533,871
Furniture and fixtures	363,825	363,825
Computer equipment	<u>239,306</u>	<u>231,636</u>
Total	6,481,812	6,047,099
Less: accumulated depreciation	<u>(1,852,184)</u>	<u>(1,691,520)</u>
	<u>\$ 4,629,628</u>	<u>\$ 4,355,579</u>

6. GOVERNMENTAL SUPPORT:

The Organization receives support from various governmental agencies. The funds are used for the acquisition and operation of transitional and emergency housing, child care services, and counseling services for victims of domestic abuse and their children. Funds are generally received on a reimbursement basis. Unreimbursed expenses are reported as governmental grants receivable in the Statements of Financial Position. Periodic audits may be performed by Grantors, and certain costs may be disallowed as not being reimbursable expenditures under the terms of the contracts. Such audits could result in amounts billed under the contracts not being paid, or amounts already paid subject to reimbursement to the Grantors. The Organization's management believes disallowances, if any, will be immaterial.

Revenues from governmental support for the years ended June 30, 2008 and 2007, and the related unreimbursed expenses at each fiscal year-end, were as follows:

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

6. GOVERNMENTAL SUPPORT (CONTINUED):

Grantor	2008	
	Revenues	Unreimbursed Expenses
US Dept of Housing & Urban Development:		
Direct Program	\$ 158,676	\$ 38,055
Passed - through the County of Orange and Fullerton		
Interfaith Emergency Services, Inc.	28,126	4,431
Passed - through Serving People in Need (SPIN)	309,662	92,423
Community Development Block Grant, passed - through the		
County of Orange and the cities of Santa Ana,		
Costa Mesa, Newport Beach and Mission Viejo	202,050	34,758
US Department of Health & Human Services:		
Passed - through CalWorks and		
Arbor Education & Training, LLC	244,957	30,468
Passed - through the Children's Bureau, Orange Children		
& Parents Together and Orange County Social Services	328,232	21,955
California Governor's Office of Emergency Services	200,071	44,407
State of California Battered Women's Shelter Grant	221,329	55,333
State of California Presley Grant	192,379	16,429
California Endowment	95,433	-
Other Grants	12,000	6,316
Totals	<u>\$ 1,992,915</u>	<u>\$ 344,575</u>

Grantor	2007	
	Revenues	Unreimbursed Expenses
US Dept of Housing & Urban Development:		
Passed - through the County of Orange	\$ 220,692	\$ 86,004
Passed - through the County of Orange and Fullerton		
Interfaith Emergency Services, Inc.	15,571	10,793
US Department of Health & Human Services:		
Passed - through CalWorks	202,629	24,490
Passed - through the Children's Bureau, Orange Children		
& Parents Together & Orange County Social Services	246,395	43,461
California Governor's Office of Emergency Services	204,194	30,351
State of California Battered Women's Shelter Grant	221,330	55,332
State of California Presley Grant	165,660	7,490
Community Development Block Grant, passed - through the		
County of Orange and the cities of Santa Ana,		
Costa Mesa, Newport Beach and Irvine	188,081	35,832
California Endowment	107,069	-
Other Grants	15,500	7,980
Totals	<u>\$ 1,587,121</u>	<u>\$ 301,733</u>

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

7. INVESTMENT INCOME:

Investment income for the years ended June 30, 2008 and 2007 is comprised of the following:

	2008	2007
Interest	\$ 21,031	\$ 24,527
Dividends	62,445	19,138
Net realized capital gains	56,688	31,590
Net unrealized gains (losses)	<u>(231,580)</u>	<u>322</u>
Gross investment income (loss)	(91,416)	75,577
Less: Investment management fees	<u>(14,556)</u>	<u>(17,622)</u>
Net investment income (loss)	<u>\$ (105,972)</u>	<u>\$ 57,955</u>

8. DEFERRED REVENUE:

The grant from the California Endowment is paid in advance. Grant funds received before qualifying expenses are incurred are not considered earned revenue. The net unearned amount is reported as deferred revenue. Deferred revenue at June 30, 2008 and 2007 was \$0 and \$95,433, respectively.

9. CHARITABLE REMAINDER TRUST:

The Organization is a beneficiary of a Charitable Remainder Trust (Trust). Under the terms of the Trust, Human Options, Inc. is to receive 50% of the lesser of the annual income of the Trust or 5% of the annual value of the Trust. In addition, Human Options, Inc. is to receive the principal balance of the Trust upon the death of the other income beneficiary.

The estimated present value of the beneficial interest in the Trust as of June 30, 2008, is stated at \$1,100,000; \$300,000 for the future income to be received, and \$800,000 for the Trust remainder to be received. The estimated present value is calculated using a discount rate of 4.0% per annum.

10. DESIGNATED NET ASSETS:

As of June 30, 2007, the Board designated net assets to fund a research project in the amount of \$50,000. In addition, the Board has chosen to classify the net book value of fixed assets of \$4,629,628 at June 30, 2008, and \$4,355,579 at June 30, 2007, as designated unrestricted net assets. This designation is made because the assets are not available to be spent on future operations, though they are being used in current specific programs. The total amount designated is \$4,629,628 at June 30, 2008, and \$4,405,579 at June 30, 2007.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2008</u>	<u>2007</u>
Purpose restrictions fulfilled:		
Expenses for Children's Programs	\$ 25,020	\$ 1,139
Scholarships	12,500	-
Other	<u>5,950</u>	<u>37,125</u>
	43,470	38,264
Time restrictions fulfilled:		
Collection of pledges receivable	<u>521,261</u>	<u>135,500</u>
Total released from restrictions	<u>\$ 564,731</u>	<u>\$ 173,764</u>

Net assets are temporarily restricted at year-end due to the following purpose or time restrictions:

	<u>2008</u>	<u>2007</u>
Charitable Remainder Trust (Note 9)	\$ 1,100,000	\$ 1,110,000
Pledges receivable	428,181	863,342
Challenge Grant	110,000	-
Other	<u>27,000</u>	<u>30,970</u>
	<u>\$ 1,665,181</u>	<u>\$ 2,004,312</u>

12. PERMANENTLY RESTRICTED NET ASSETS:

The Organization has received cash donations of \$548,000 and pledges from donors of \$789,000 with the stipulation that the principal remain unused and that the earnings be unrestricted. These items are reported as permanently restricted net assets. The cash donations were deposited with the Orange County Community Foundation as an Endowment Fund. Earnings, including unrealized gains, are also held by the Foundation and are reported as unrestricted assets.

13. RETIREMENT PLAN:

The Organization maintains a 401(k) plan covering substantially all regular employees. Under the Plan, the Organization may, at its discretion, make matching contributions to a maximum of fifty percent of all employee contributions, not to exceed six percent of employee compensation, as defined by the Plan. Employer contributions for the years ended June 30, 2008 and 2007 were \$51,442 and \$31,488, respectively.

See independent auditors' report.

HUMAN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008 and 2007

14. OPERATING LEASES:

The Community Resource Center is subject to an operating lease. The lease requires monthly rent at \$3,165, with scheduled annual increases through August 31, 2009.

The Thrift Shop facility, Classy Seconds, is subject to an operating lease. The lease requires rent at \$4,750, with scheduled annual increases through April 30, 2009. At that time, there is an option to renew the lease.

Three copiers are currently being leased at a cost of \$1,061 per month.

Future minimum payments required under the above leases as of June 30, 2008, are as follows:

Year Ending June 30,	
2009	\$ 99,798
2010	19,382
2011	11,031
2012	<u>418</u>
Total	<u>\$ 130,629</u>

See independent auditors' report.

SUPPLEMENTARY INFORMATION

FEDERAL AND SELECTED STATE ASSISTED PROGRAMS



DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTKAMP, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

October 1, 2008

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Human Options, Inc.
Irvine, California

We have audited the financial statements of Human Options, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Human Options, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Human Options, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Options, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Diehl, Evans and Company, LLP



DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

January 17, 2009

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Human Options, Inc.
Irvine, California

Compliance

We have audited the compliance of Human Options, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Human Options, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Human Options, Inc.'s management. Our responsibility is to express an opinion on Human Options, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Options, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Human Options, Inc.'s compliance with those requirements.

In our opinion, Human Options, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

Internal Control Over Compliance

The management of Human Options, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Human Options, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on Human Options, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Diehl, Evans and Company, LLP

HUMAN OPTIONS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS

For the year ended June 30, 2008

Federal/State Grantor Pass - Through Grantor Program Title	Grant Identification Number	Federal CFDA Number	Award Amount	Expenditures
<u>FEDERAL AWARDS</u>				
<u>U.S. Department of Housing and Urban Development:</u>				
Direct programs:				
Supportive Housing Program	CA16B402007	14.235	\$ 120,584	\$ 124,661
Supportive Housing Program	CA16B202012	14.235	33,415	34,015
Passed - through Serving People In Need:				
Supportive Housing Program	CA16B402004	14.235	155,916	309,662
Passed - through Fullerton Interfaith:				
Supportive Housing Program	CA16B302008	14.235	28,468	28,126
Subtotal - Supportive Housing Program			338,383	496,464
Passed - through the County of Orange:				
Community Development Block Grant	KC07749	14.218	140,100	140,100
Passed - through the City of Irvine:				
Community Development Block Grant	7/1/07-6/30/08	14.218	15,450	15,450
Passed - through the City of Costa Mesa:				
Community Development Block Grant	7/1/07-6/30/08	14.218	23,000	20,000
Passed - through the City of Santa Ana:				
Community Development Block Grant	7/1/07-6/30/08	14.218	20,000	20,000
Passed - through the City of Newport Beach:				
Community Development Block Grant	7/1/07-6/30/08	14.218	5,000	5,000
Subtotal - Community Development Block Grants			203,550	200,550
Total U.S. Department of Housing and Urban Development			541,933	697,014

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 (pages 21 and 22), Independent Auditors' Report on Financial Statements (page 1) and Note to Schedule of Expenditures of Federal Awards (page 25).

HUMAN OPTIONS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
(CONTINUED)

For the year ended June 30, 2008

Federal/State Grantor Pass - Through Grantor Program Title	Grant Identification Number	Federal CFDA Number	Award Amount	Expenditures
<u>FEDERAL AWARDS (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services:</u>				
Passed - through the County of Orange:				
Promoting Safe and Stable Families	Fbb0205	93.556	\$ 43,500	\$ 37,376
Promoting Safe and Stable Families	7/1/07-6/30/08	93.556	60,638	54,336
Promoting Safe and Stable Families	Feh0605	93.556	374,426	231,584
Subtotal - Promoting Safe and Stable Families			478,564	323,296
Passed - through the County of Orange:				
Temporary Assistance for Needy Families	7/1/07-6/30/08	93.558	265,000	244,957
Passed - through California Office of Emergency Services:				
Family Violence Prevention and Services	DV07221192	93.671	55,073	55,073
Total U.S. Department of Health and Human Services			798,637	623,326
<u>U.S. Department of Justice:</u>				
Passed - through California Office of Emergency Services:				
Crime Victim Assistance	DV07221192	16.575	107,685	107,685
Violence Against Women Formula Grants	DV07221192	16.588	5,195	5,195
Total U.S. Department of Justice			112,880	112,880
TOTAL FEDERAL AWARDS			\$ 1,453,450	\$ 1,433,220
<u>SELECTED STATE AWARDS</u>				
<u>California Department of Health Services:</u>				
Battered Women's Shelter Program	05-45038	N/A	221,329	221,329
TOTAL FEDERAL AND SELECTED STATE AWARDS			\$ 1,674,779	\$ 1,654,549

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 (pages 21 and 22), Independent Auditors' Report on Financial Statements (page 1) and Note to Schedule of Expenditures of Federal Awards (page 25).

HUMAN OPTIONS, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND SELECTED STATE AWARDS

For the year ended June 30, 2008

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal and Selected State Awards only presents the activity of federal and applicable state award programs of Human Options, Inc. (the Organization) and therefore does not present the financial position or results of operations of the Organization. The information in this schedule is presented under the accrual basis of accounting and in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 (pages 21 and 22) and Independent Auditors' Report on Financial Statements (page 1).

HUMAN OPTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2008

A. Summary of Audit Results:

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Human Options, Inc.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Human Options, Inc., disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal awards programs.
5. The independent auditors' report on compliance for the major federal award programs for Human Options, Inc., expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs.
7. The programs tested as major programs were:

CFDA 93.671 - U.S. Department of Health and Human Services, Family Violence Prevention and Services – Grant DV07221192

CFDA 16.575 - U.S. Department of Justice, Crime Victim Assistance – Grant DV07221192

CFDA 16.588 - U.S. Department of Justice, Violence Against Women Formula Grants - Grant DV07221192 - passed-through the California Office of Emergency Services

CFDA 14.235 - U.S. Department of Housing and Urban Development, Supportive Housing Program – received direct and passed-through Serving People in Need and Fullerton Interfaith

CFDA 93.558 - U.S. Department of Health and Human Services, Temporary Assistance for Needy Families - passed-through the County of Orange.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 (pages 19 through 22).

HUMAN OPTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2008

A. Summary of Audit Results (Continued):

8. The threshold for distinguishing type A and B programs was \$300,000.
9. Human Options, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit:

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit:

None

D. Summary Schedule of Prior Audit Findings:

There were no findings or questioned costs reported for the year ended June 30, 2007.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 (pages 19 through 22).

HUMAN OPTIONS, INC.

REPORT ON AUDIT OF OES GRANTS

TABLE OF CONTENTS

For the period July 1, 2007 through June 30, 2008

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Program Statements:	
Statement of Status of Cash (Exhibit A)	3
Statement of Approved Budget and Cumulative Expenditures (Exhibit B)	4
Statement of Costs Claimed, Accepted and Costs Recommended for Disallowance (Exhibit C)	5
Statement of Revenues and Expenditures by Category (Exhibit D)	6
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	10 - 11



DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

January 17, 2009

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTKAMP, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON PROGRAM STATEMENTS

Board of Directors
Human Options, Inc.
Irvine, California

We have audited the program statements identified in the Table of Contents of Human Options, Inc. (the Organization) for the State of California, Office of Emergency Services (OES) Grant Number DV07211192 as of June 30, 2008, and for the year then ended. The amounts included in the program statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the provisions of the Government Auditing Standards, issued by the Comptroller General of the United States and the OES Grant Audit Program and certain provisions of the OES Recipient Handbook. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the program statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Background Note 1, the Organization's policy is to prepare its program statements on the basis of accounting principles prescribed by OES, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the program statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the program statements referred to above present fairly, in all material respects, the status of cash of Human Options, Inc. for the State of California, Office of Emergency Services Grant Number DV07211192 as of June 30, 2008, and the related approved budget and cumulative expenditures, costs claimed, costs accepted and costs recommended for disallowance, and revenues and expenditures by category for the year ended June 30, 2008, on the basis of accounting described in Background Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 17, 2009, on our consideration of the Organization's internal control structure and on its compliance with laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important in assessing the results of our audit.

This report is intended solely for the information and use of the State of California Office of Emergency Services, the Organization's Board of Directors, management, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Diehl, Evans and Company, LLP

HUMAN OPTIONS, INC.
STATEMENT OF STATUS OF CASH
For the year ended June 30, 2008

Grant Number DV07211192

Grant cash actually received	\$ 155,664
Cash advanced by Organization for grant (1)	44,407
Grantee matched funds	43,902
Grant expenditures	<u>(243,973)</u>
Cash on hand at June 30, 2008	<u>\$ -</u>

(1) Represents amounts receivable from OES at June 30, 2008.

See independent auditors' report on program statements and background.

HUMAN OPTIONS, INC.

STATEMENT OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES

For the year ended June 30, 2008

	<u>Budget</u>	<u>Costs Claimed</u>	<u>Variance (1)</u>
<u>Grant Number DV07211192</u>			
Personal services	\$ 243,973	\$ 243,973	\$ -
Operating expenses	-	-	-
Equipment	-	-	-
Totals	<u>\$ 243,973</u>	<u>\$ 243,973</u>	<u>\$ -</u>

(1) The variance for the entire grant period for the twelve months ended June 30, 2008, is zero.

See independent auditors' report on program statements and background.

HUMAN OPTIONS, INC.

STATEMENT OF REVENUES AND EXPENDITURES BY CATEGORY

For the year ended June 30, 2008

	Actual Cash Received (1)	Matching Portion	Costs Claimed
<u>Grant Number DV07211192</u>			
Personal services	\$ 198,104	\$ 43,470	\$ 241,574
Operating expenses	1,967	432	2,399
Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 200,071</u>	<u>\$ 43,902</u>	<u>\$ 243,973</u>

(1) Actual cash received for Grant Number DV07211192 includes cash received subsequent to June 30, 2008, of \$44,407.

See independent auditors' report on program statements and background.

HUMAN OPTIONS, INC.

STATEMENT OF COSTS CLAIMED, ACCEPTED AND COSTS
RECOMMENDED FOR DISALLOWANCE

For the year ended June 30, 2008

	Costs Claimed	Costs Accepted	Costs Recommended For Disallowance
<u>Grant Number DV07211192</u>			
Personal services	\$ 241,574	\$ 241,574	\$ -
Operating expenses	2,399	2,399	-
Equipment	-	-	-
Totals	<u>\$ 243,973</u>	<u>\$ 243,973</u>	<u>\$ -</u>

See independent auditors' report on program statements and background.

HUMAN OPTIONS, INC.

BACKGROUND

For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying program statements have been prepared in conformity with State of California, Office of Emergency Services (OES) instructions for Form OES-201. Exhibits A and B have been prepared from the reports submitted to OES.

2. PROGRAM DESCRIPTION:

Human Options, Inc. receives grant funds from OES as a reimbursement of operating expenses, equipment, salaries and related costs for certain program counselors that participate in a comprehensive rehabilitation program in Orange County, California, for women and children subjected to domestic violence.

3. GRANT PERIOD AUDITED:

For Grant Number DV07211192, the program statements represent budgets and activities for the twelve months ended June 30, 2008.

See independent auditors' report on program statements.

HUMAN OPTIONS, INC.

FINDINGS

For the year ended June 30, 2008

There are no findings to report for Grant Number DV07211192 for the year ended June 30, 2008.

See independent auditors' report on program statements.

HUMAN OPTIONS, INC.

STATUS OF PRIOR YEAR AUDIT FINDINGS

For the year ended June 30, 2008

There are no prior audit findings related to the audit of Grant Number DV06211192 for the year ended June 30, 2007.

See independent auditors' report on program statements.



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5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

January 17, 2009

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*A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Human Options, Inc.
Irvine, California

We have audited the program statements of Human Options, Inc. for the State of California, Office of Emergency Services (OES) Grant Number DV07211192 for the year ended June 30, 2008, and have issued our report thereon dated January 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the OES Grant Audit Program and certain provisions of the OES Recipient Handbook.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Human Options, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the program statements, but not for the purpose of expressing an opinion on the effectiveness of the Human Options, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

- 10 -

OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Human Options, Inc.'s program statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of program statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the State of California Office of Emergency Services, the Organization's Board of Directors, management, others within the Organization, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Diehl, Evans and Company, LLP



March 4, 2009

State of California, Office of Emergency Services
Mr. Matthew See
3650 Schriever Avenue
Mather, CA 95655

RE: Audit for fiscal year 2007-2008
Grant: DVO7221192

Dear Mr. See,

It has come to our attention that some of our funders have not received our 2007-2008 financial audit. Enclosed please find our final financial audit for your records. Our Single Line Audit will be sent under separate cover.

If I can provide any additional information please do not hesitate to contact me at (949) 737-5242 ext. 217.

Sincerely,

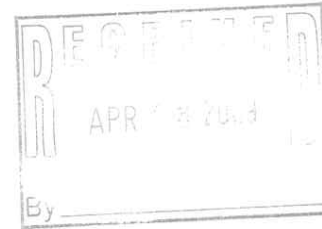
Mindy Weinheimer
Administrative Director

Enclosure

1. 2007-2008 Financial Audit



March 31, 2009



Office of Emergency Services
Audit Division
3650 Schriver Avenue
Mather, CA 95655

**Subject: Single Audit of Federal & Selected State Assisted Grant Programs &
Report on Audit of OES Grants**

To Whom It May Concern:

Please find enclosed Human Options' audit reports for July 1, 2007 - June 30, 2008. If you have any questions, please feel free to contact me at 949-737-5242 x218 or by email ayurada@humanoptions.org. Thank you.

Sincerely,

Agnès G. Yurada
Grants Coordinator
Human Options

☐ File ☐ Follow-up Letter & File
☒ Suspense

Audit Report Review Form

☐ Closed _____

Control # _____

04512

Subrecipient Name: <u>Human Options, INC.</u>		Fiscal Year Ended: <u>10/30/08</u>	
Grant Name:		Grant #	
Date Received by OES: <u>3/12/08</u>	Rec'd w/ 9 months? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Review Date: <u>3/27/09</u>	Review Performed By: Roni Armstrong

SCO TRANSMITTAL LETTER

Did SCO identify any cross-cutting findings?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
Did SCO refer any program-specific findings to OES?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> SCO Letter Not Received

AUDIT THRESHOLD

Total OES-related award amount reported in audit <input type="checkbox"/> <\$25K <input checked="" type="checkbox"/> \$25-\$500K <input type="checkbox"/> >\$500K	Type of audit report required <input checked="" type="checkbox"/> FS <input type="checkbox"/> Single Audit <input type="checkbox"/> Grant-Specific
Federal award total reported in audit <input type="checkbox"/> <\$500 <input type="checkbox"/> =>\$500K <input type="checkbox"/> Not shown	Type of report received: <input checked="" type="checkbox"/> FS <input type="checkbox"/> SAR <input type="checkbox"/> Grant-Specific Type of audit report appropriate? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

AUDIT QUALIFIERS – REQUIRED ITEMS

SINGLE AUDIT REPORTS	GRANT-SPECIFIC REPORTS / FINANCIAL STATEMENTS
Auditor's Report: <input type="checkbox"/> No report "...presents fairly the financial position... in conformity with generally accepted accounting principles" <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Report makes reference to separate reports on compliance & internal controls <input type="checkbox"/> Yes <input type="checkbox"/> No	Auditor's Report: <input type="checkbox"/> No report Report describes scope of testing, e.g., "We have audited the..." <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included "...audit conducted ... in conformity with generally accepted accounting principles" <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Financial Statement: Report on internal control describes scope of testing, e.g., "We have audited the..." <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included Report includes a statement that report complies with: <input type="checkbox"/> GAS <input type="checkbox"/> GAGAS <input type="checkbox"/> GAS or GAGAS and GAAS <input type="checkbox"/> No Statement (for public accountants)	Report includes language: " <u>schedule [financial statement/grant statement] presents fairly...the status of funds & related expenditures [financial operations] of the [selected grants].</u> " <input type="checkbox"/> Yes <input type="checkbox"/> No Report makes reference to separate reports on compliance & internal controls <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> No letter
Major Programs: Report includes an opinion (or disclaimer) that report complies with laws, regulations & provisions of contracts or grant agreements <input type="checkbox"/> Yes <input type="checkbox"/> No Report includes language: " <u>schedule of expenditures of federal awards is presented fairly... in relation to the financial statement taken as a whole.</u> " <input type="checkbox"/> Yes <input type="checkbox"/> No	Report on Compliance & Internal Controls: Report on internal control describes scope of testing, e.g., "We have audited the..." <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not included MISSING Report includes a statement that report complies with: <input type="checkbox"/> GAS <input type="checkbox"/> GAGAS <input type="checkbox"/> GAS or GAGAS and GAAS <input type="checkbox"/> No Statement (for public accountants) Report includes an opinion (or disclaimer) that report complies with: Laws, regulations & provisions of contracts or grant agreements <input type="checkbox"/> Yes <input type="checkbox"/> No OES audit program & handbook <input type="checkbox"/> Yes <input type="checkbox"/> No
Report contains: Schedule of expenditures of federal awards by agency and pass-through entity <input type="checkbox"/> Yes <input type="checkbox"/> No Identifying CFDA # <input type="checkbox"/> Yes <input type="checkbox"/> No Statement that audit was conducted in accordance with OMB circular A-133 <input type="checkbox"/> Yes <input type="checkbox"/> No Notes describing significant accounting policies (review contents) <input type="checkbox"/> Yes <input type="checkbox"/> No Prior year findings with status <input type="checkbox"/> Yes <input type="checkbox"/> No	Report contains: Grant number (grant-specific) <input type="checkbox"/> Yes <input type="checkbox"/> No N/A Audit period <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes describing significant accounting policies (review contents) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Prior year findings with status <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

FINDINGS & QUESTIONED COSTS

	Financial Statements Grant-Specific Programs	Major Federal Programs
What type of report was issued? (<input type="checkbox"/> No SAR – F/S & Federal Audit Clearinghouse data)	<input type="checkbox"/> Unqualified <input type="checkbox"/> Adverse <input type="checkbox"/> Modified <input type="checkbox"/> Qualified <input type="checkbox"/> Disclaim <input checked="" type="checkbox"/> Not included	<input type="checkbox"/> Unqualified <input type="checkbox"/> Adverse <input type="checkbox"/> Modified <input type="checkbox"/> Qualified <input type="checkbox"/> Disclaim <input type="checkbox"/> Not included
In the Internal Controls, were any material weaknesses identified?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not included	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included
In the Internal Controls, were any significant deficiencies identified <i>not considered to be material weaknesses</i> ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not included	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included
Were there any instances of noncompliance ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not included	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included
Were there any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	MISSING Report	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included
Were there any findings?	<input type="checkbox"/> Yes <input type="checkbox"/> No Total number of findings: # of findings related to OES:	<input type="checkbox"/> Yes <input type="checkbox"/> No Total number of findings: # of findings related to OES:

Brief Summary of Findings

Financial Statement Findings: ☐ Findings not material to OES grants

Major Federal Program Findings: ☐ Findings not material to OES grants

(Findings should include: criteria/specific requirement upon which it is based; condition found; questioned costs; possible effects; and recommendations.)

Are there any unresolved prior year findings related to OES grants? ☐ Yes ☐ No ☐ Not shown
 Comment:

If mentioned, was the Management Letter included with the report? ☐ Yes ☐ No ☐ N/A ?

CORRECTIVE ACTION PLAN		REPORT CLOSEOUT / TRACKING
Corrective Action Plan CAP needed? CAP included with report? CAP sufficient to resolve audit findings? CAP includes timeline for resolution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A to OES <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No	All audit requirements met? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No List deficiencies / other notes: Sent F/U letter for rpt on IC&C 3/30/09
Follow-up actions to be taken:	<input type="checkbox"/> None <input type="checkbox"/> N/A <input type="checkbox"/> Request CAP <input type="checkbox"/> Request CAP revision <input type="checkbox"/> Other:	Follow-up action required: <input type="checkbox"/> None

Date entered into Audit Report Database: 3/30/09 By: RA

Disposition of Report: ☐ Discard report ☒ Keep report until: Type of media: ☒ Paper ☐ CD



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

March 30, 2009

Mindy Weinheimer
Administrative Director
Human Options, Inc.
P.O. Box 53745
Irvine, CA 92619

SUBJECT: AUDIT REPORT FOR THE PERIODS ENDED JUNE 30, 2008

Dear Ms. Weinheimer:

On January 1, 2009, the Governor's Office of Emergency Services merged with the Office of Homeland Security to form the new California Emergency Management Agency (Cal EMA). The California Emergency Management Agency (CalEMA) has received and reviewed the June 30, 2008 audit report prepared by Diehl, Evans & Company, LLP.

Although the report was performed in accordance *Government Auditing Standards*, it did not contain the separate *Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards (Report on Internal Control)*. The Report on Internal Control is mentioned in the Independent Auditor's Report (Page 1), but it was not included in the package. Please provide a copy of the Report on Internal Control to CalEMA by April 10, 2009, to:

Roni Armstrong
California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriever Avenue
Mather, CA 95650

As a reminder, per Recipient Handbook Section 8217, "*Audit reports, which refer to a management letter, are required to submit a copy of the management letter along with the audit report to OES.*" If the Report on Internal Control references a Management Letter, please submit a copy with the Report.

If you have any questions regarding the above, please contact Roni Armstrong at (916) 845-8115 or Roni.Armstrong@oes.ca.gov.

Respectfully Submitted

A handwritten signature in cursive script, appearing to read "Michael Baldwin", followed by the word "for" in a smaller, simpler script.

MICHAEL BALDWIN
BRANCH CHIEF

cc: Subrecipient File

